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Alberta  
Lotteries  
1993-94  
Annual  
Report



**Our Mission** Alberta Lotteries markets gaming products with integrity and social responsibility, maximizing long term economic returns and social benefits for all Albertans.

**Our Partners** Alberta, like Saskatchewan and Manitoba, is a partner in the Western Canada Lottery Corporation (WCLC) with the Northwest Territories and the Yukon Territory participating as associate members. The WCLC manages research, production and advertising for its partner provinces. Alberta Lotteries provides sales assistance to lottery retailers and manages Alberta's Video Lottery Program. All net lottery proceeds generated in Alberta are placed in the Lottery Fund, which is managed by the Government of Alberta.

**Our Board of Directors** Alberta Lotteries' Board of Directors is comprised of ten members. Edmonton Northlands, the Calgary Exhibition & Stampede Ltd and the general public each have three members on the Board in addition to the Vice-Chairman appointed by the Alberta Government.



Sitting, front row, left to right:

Gary G. Boddez, Vice Chairman  
Government of Alberta

Dr. Sam Huculak, Director  
Public

Jack Berthelsen, Secretary-Treasurer  
Calgary Exhibition & Stampede

Jack Rutherford, General Manager  
Alberta Lotteries

Frank Johnson, Director  
Edmonton Northlands

Standing, back row, left to right:

Lee Thompson, Director  
Calgary Exhibition & Stampede

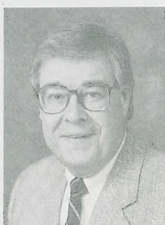
George Hughes, Director  
Public

Robert Hymas, Director  
Calgary Exhibition & Stampede

Gerry Yuen, Director  
Edmonton Northlands

Donald Jackson, Chairman  
Edmonton Northlands





#### MINISTER'S MESSAGE

As a high-technology, service-oriented organization, Alberta Lotteries delivers the best in lottery entertainment to Albertans. A commitment to customer service and high integrity has kept

Alberta Lotteries at the forefront of North America's expanding gaming industry. Thanks to Alberta's lottery players, lottery retailers, skilled staff, dedicated management and strong Board, Alberta Lotteries enjoyed another year of growth. As a result, even more economic and community benefits for our province were made possible.

In keeping with Alberta's lottery legislation, lottery profits are allocated to a number of lottery foundations, agencies and programs, which in turn awarded about 2,000 grants for community projects in 1993-94. Lottery dollars continue to represent an important source of grassroots funding for community organizations.

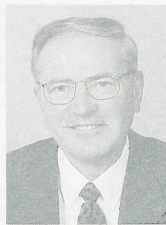
In addition to jobs and other valuable economic spin-offs, Albertans again enjoyed a wide variety of lottery benefits in fiscal '94, from medical equipment purchases for Alberta hospitals, to science education, wildlife conservation programs, and funding for libraries and museums. In addition, a significant portion of lottery revenue was transferred to Alberta's General Revenue Fund to help pay for essential services and to reduce the deficit.

The Government also strengthened its commitment to a socially responsible gaming industry by introducing a problem gambling prevention and treatment program through the Alberta Alcohol and Drug Abuse Commission (AADAC). AADAC's plan has already been described as one of the best in North America.

I would like to commend the staff, management and Board of Alberta Lotteries for their excellent work and continuing commitment to maximizing economic returns and social benefits for all Albertans.

**Ken Kowalski**  
Minister

#### CHAIRMAN'S MESSAGE



Alberta Lotteries' 1994 fiscal year was one of outstanding growth and exciting challenges. At a time when most of North America was focused on the expansion of the electronic gaming industry, we confirmed that the demand for both ticket and video products remained strong in our province. In fact, our strategy of cultivating both aspects of our business proved to be very successful, with total sales exceeding \$650 million.

In the fall, the Western Canada Lottery Corporation (WCLC) hosted the Annual Conference for the North America Association of State and Provincial Lotteries (NASPL) in Alberta. Over 800 speakers and delegates came to Calgary to gain insight into the innovative gaming products and management techniques that will move our industry into the 21st century. Thanks to the WCLC, and the efforts of Alberta Lotteries' management and staff, this event was a tremendous success.

In fiscal 1994, we expanded our retail networks thanks to the support of our customers, retailers and staff. In response to this growth, we realigned our organization to improve our ability to meet the service needs of our customers. We were also pleased to see the continued popularity of our flagship product Lotto 6/49. To ensure future growth in lottery sales, we will continue to research new games and merchandising ideas.

I would like to acknowledge my fellow Board members and the Honourable Ken Kowalski, Minister responsible for Lotteries and Gaming, for the leadership they provide. While it may be difficult to duplicate the successes achieved in 1993-94, Alberta Lotteries anticipates further growth resulting in increased benefits for all Albertans.

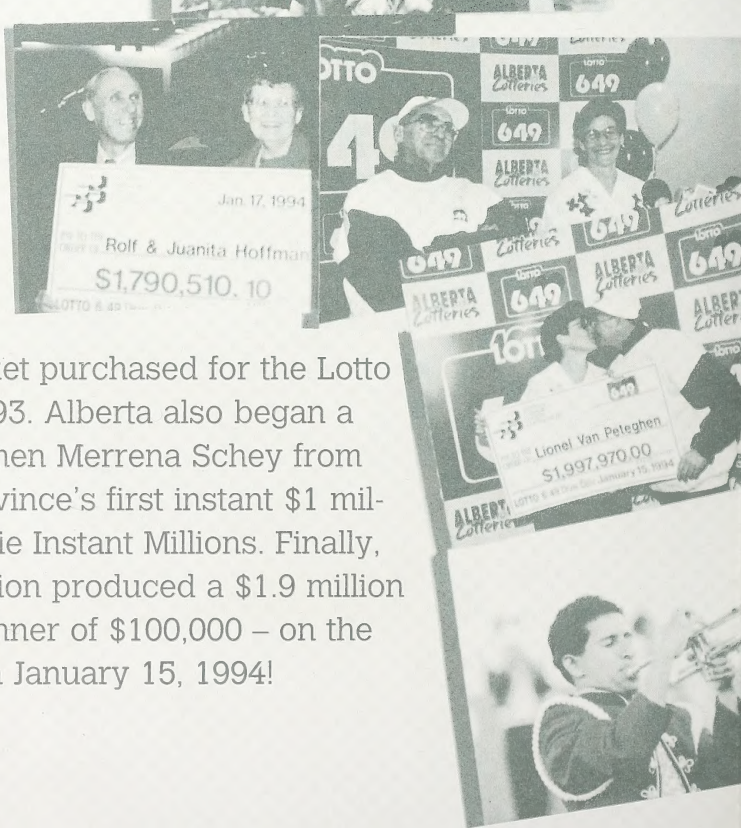
**Donald Jackson**  
Chairman



Improved client service and new products enabled Alberta Lotteries to keep pace with growing customer demand. The 864 video lottery retailers benefited from the introduction of a maintenance program for all video lottery terminals as well as from the installation of an Automatic Call Distribution program in the Hotline operation. With the purchase of video lottery terminals from three new suppliers, the variety of video lottery games offered to Albertans was increased. The installation of new Spectra Terminals enabled Alberta Lotteries to offer Sport Select games at all 1,681 Lottery Ticket Centres. Purchasing Pogo, Lotto 6/49 and Pick 3 was made more convenient by expanding advance play to 25 consecutive draws. In fiscal 1994, Lotto 6/49 continued to be Alberta's favourite on-line game and instant ticket sales remained strong with the successful launch of The Western, Cash 'n Cars and Mega Bingo.

Just imagine... last year Albertans claimed over \$760 million in jackpots and prizes. Craig and Gail Sandford from Sherwood Park were Alberta's largest jackpot winners claiming

\$5,642,167.50 from a ticket purchased for the Lotto 6/49 draw on June 5, 1993. Alberta also began a new winning tradition when Merrena Schey from Calgary became our province's first instant \$1 million winner playing Prairie Instant Millions. Finally, the lucky town of Vermilion produced a \$1.9 million jackpot winner and a winner of \$100,000 – on the same Lotto 6/49 draw on January 15, 1994!



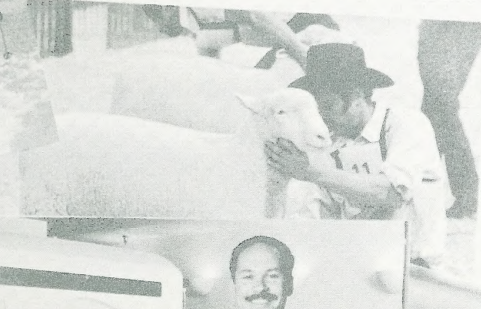




Alberta's lottery profits help Albertans by funding about 2,000 worthy community initiatives each year through lottery foundations, agencies and programs. Health care and hospitals, sport and athletic events, science and environmental projects, libraries and museums, art and cultural exhibitions, schools and education and community facilities are just some of the things that benefit from lottery revenue. Since 1988, lottery profits have helped Alberta hospitals purchase \$23.6 million worth of advanced medical equipment. Handi-buses, services for the disabled and a variety of other community and volunteer oriented projects are funded by



the Wild Rose Foundation. The Alberta Sport, Recreation, Parks and Wildlife Foundation funds amateur sport, recreation, wellness initiatives and conservation and environmental projects. Lottery Fund transfers to Alberta's General Revenue Fund help reduce the deficit and support the province's health care and education systems. These transfers total \$363 million since 1991.



## 1993-1994 Highlights



Lotteries have a vital impact on Alberta's economy through retailer commissions, staff salaries, and the purchase of goods and services from Alberta companies. In fact, the equivalent of more than 4,000 full-time jobs have been created by the lottery industry. In addition, the Video Lottery Program has created many economic benefits for Alberta's hospitality industry.





Auditors' Report

To the Partners of Alberta Lotteries

We have audited the balance sheet of Alberta Lotteries as at March 31, 1994 and the statements of video lottery operations, administrative, marketing, program and services expenses and changes in financial position for the year then ended. We have also audited the statement of ticket lottery operations as derived from the financial statements of the Western Canada Lottery Corporation for the year ended March 31, 1994. These financial statements are the responsibility of Alberta Lotteries' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Alberta Lotteries as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Ernst & Young*

Edmonton, Canada  
May 20, 1994

Chartered Accountants

Balance Sheet

As at March 31 (000s)	1994	1993 (as restated)
<b>ASSETS</b>		
Cash and term deposits	\$ 2,487	\$ 9,558
Accounts receivable	4,705	157
Prepaid expenses, deposits and deferred costs	2,944	4,495
Capital assets (note 6)	32,427	18,076
	<b>42,563</b>	<b>32,286</b>
<b>LIABILITIES</b>		
Accounts payable and accruals	7,854	5,468
Due to Western Canada Lottery Corporation	636	113
Commitments and contingencies (note 9)		
Due to the Lottery Fund (note 7)	34,073	26,705
	<b>42,563</b>	<b>32,286</b>

See accompanying notes

On behalf of the Board:

*Donald A. Jackson*  
Director

*[Signature]*  
Director

## Statement of Ticket Lottery Operations

(Note 4)

Year ended March 31 (000s)	1994	1993
<b>REVENUE</b>		
Lotto 6/49 ticket sales	\$ 197,847	\$ 190,887
Instant ticket sales	87,334	75,631
The Plus ticket sales	41,454	35,463
Sport Select ticket sales	33,713	35,979
Pogo ticket sales	7,921	8,045
Pick 3 ticket sales	4,158	3,295
Western Express ticket sales	4,117	7,874
Special Event ticket sales	3,290	2,798
Provincial ticket sales	1,655	4,912
	<b>381,489</b>	<b>364,884</b>
<b>DIRECT EXPENSES</b>		
Share of the cost of prizes, tickets and administration	216,268	206,745
Retailer commissions	21,774	21,569
	<b>238,042</b>	<b>228,314</b>
<b>Income from ticket lottery operations</b>	<b>143,447</b>	<b>136,570</b>
Other income	2,508	1,919
Federal tax expense (note 8)	(3,803)	(3,439)
<b>Income before the following</b>	<b>142,152</b>	<b>135,050</b>
Payment to Federal Government (note 8)	(5,077)	(4,969)
<b>Net income from ticket lottery operations</b>	<b>137,075</b>	<b>130,081</b>

See accompanying notes

## Statement of Video Lottery Operations

Year ended March 31 (000s)	1994	1993
		(as restated)
<b>REVENUE</b>		
Net sales	\$ 268,896	\$ 49,308
Interest income	170	527
	<b>269,066</b>	<b>49,835</b>
<b>DIRECT EXPENSES</b>		
Retailer commissions	42,075	7,111
Depreciation (note 3)	6,075	1,975
Salaries and benefits	3,514	1,986
Communications	1,965	1,127
Equipment leasing and maintenance	1,576	2,330
Operating supplies	784	517
Delivery charges	447	124
Travel	372	447
Professional fees	211	445
Cost of premises	176	129
Marketing activities	159	214
Other	82	184
	<b>57,436</b>	<b>16,589</b>
<b>Income from video lottery operations</b>	<b>211,630</b>	<b>33,246</b>
Federal tax expense (note 8)	5,038	1,906
<b>Net income from video lottery operations</b>	<b>206,592</b>	<b>31,340</b>

See accompanying notes



## Statement of Administrative, Marketing, Program and Services Expenses

Year ended March 31 (000s)	1994	1993
		(as restated)
Salaries and benefits	\$ 4,784	\$ 4,279
Advertising, corporate and community relations	3,553	3,294
Maintenance, utilities and rent	922	1,100
Travel	567	578
Distribution costs	443	317
Professional fees	394	556
Depreciation (note 3)	388	285
Postage and office supplies	243	246
Telephone and fax	225	217
Directors' meetings and expenses	93	85
Other	233	188
	11,845	11,145
<b>Other (income) expense</b>		
Retailer service fees	(429)	(354)
Interest income	(138)	(51)
Federal tax expense (note 8)	546	361
<b>Net administrative, marketing, program and services expenses</b>	<b>11,824</b>	<b>11,101</b>
<b>Composition</b>		
Provincial Marketing Organization	6,367	5,943
Program and Services Office	5,457	5,158
	11,824	11,101

See accompanying notes

## Statement of Changes in Financial Position

Year ended March 31 (000s)	1994	1993
		(as restated)
<b>OPERATING ACTIVITIES (note 7)</b>		
Net income from video lottery operations	\$ 206,592	\$ 31,340
Net administrative, marketing, program and services expenses	(11,824)	(11,101)
Add items not involving an outlay of cash:		
Depreciation	6,463	2,261
Changes in non-cash working capital balances:		
Accounts receivable	(4,548)	(52)
Due to Western Canada Lottery Corporation	523	3,152
Prepaid expenses, deposits and deferred costs	1,551	(2,384)
Accounts payable and accruals	2,386	4,738
<b>Cash provided by operating activities</b>	<b>201,143</b>	<b>27,954</b>
<b>INVESTING ACTIVITIES</b>		
Capital asset acquisitions	(20,814)	(19,632)
<b>Cash used in investing activities</b>	<b>(20,814)</b>	<b>(19,632)</b>
<b>FINANCING ACTIVITIES</b>		
Payments to the Lottery Fund	(187,400)	(10,599)
Advances from the Western Canada Lottery Corporation	-	11,350
<b>Cash (used in) provided by financing activities</b>	<b>(187,400)</b>	<b>751</b>
<b>Net (decrease) increase in cash and term deposits during the year</b>	<b>(7,071)</b>	<b>9,073</b>
Cash and term deposits, beginning of year	9,558	485
<b>Cash and term deposits, end of year</b>	<b>2,487</b>	<b>9,558</b>

See accompanying notes



Notes to Financial Statements

1. Nature of the Partnership

Alberta Lotteries is a partnership of Edmonton Northlands and the Calgary Exhibition and Stampede Ltd.

Alberta Lotteries acts as agent of the Government of Alberta which is a member of the Western Canada Lottery Corporation. The Corporation provides, without financial gain, in Manitoba, Saskatchewan and Alberta, services concerning the conduct, management and operation of lottery schemes. The Lottery License requires the Corporation to conduct, manage and operate in Alberta as the agent of the Government of Alberta such lottery schemes as designated by the Minister.

Alberta Lotteries is licensed to act as the Provincial Marketing Organization for ticket lotteries in Alberta for the Western Canada Lottery Corporation under the authority of the Lottery License, as issued by the Minister of the Government of Alberta responsible for the Interprovincial Lottery Act. Effective April 1, 1992 Alberta Lotteries was granted a license to conduct, manage and operate a video lottery scheme to be known as "Video Lottery" and such other lottery schemes as may be designated by the Minister. Alberta Lotteries has additionally agreed to provide facilities, personnel and resources to the Minister responsible for Lotteries to fulfil requirements for administering the Interprovincial Lottery Act and the Lottery Fund. These functions are administered by the Program and Services Office. In 1994, these Ticket Lottery and Video Lottery licenses were renewed by the Minister for the period April 1, 1994 through March 31, 1997.

The net proceeds arising from the conduct of authorized lottery schemes in Alberta are distributed to the Lottery Fund.

The partners do not directly receive any portion of the net proceeds from lottery schemes in Alberta but do receive amounts as beneficiaries from the Lottery Fund at the discretion of the Minister. All assets of Alberta Lotteries are owned by the Government of Alberta.

2. Significant Accounting Policies

a) Capital purchases are recorded at cost and are depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to income.

Depreciation is provided for on a straight line basis using the following rates:

LAN application software	100%
Vehicles	33%
Coin sorters	33%
Video lottery equipment	20%
Computer/communication hardware and software	20%
Furniture and fixtures	20%
Leasehold improvements	Lease Term

Assets acquired during the year are depreciated at 50% of their normal rates.

b) Video lottery revenue is recognized net of credits paid.

c) Ticket lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recognized at the time of sale to the retailer.

d) The statements of video lottery and ticket lottery operations include direct expenses related to the conduct of the respective lottery schemes. Indirect expenses of Alberta Lotteries are not allocated to these operating statements.

e) Amounts paid in respect of future programs or events are deferred and charged to income in the related period.

3. Change in Accounting Policy

During 1994, Alberta Lotteries retroactively adopted the policy of capitalizing fixed asset acquisitions and depreciating them over their estimated useful lives. Previously, capital purchases were charged to operations as the assets were placed in service and assets not in service were carried as inventory. The financial statements of 1993 have been restated to reflect this change in accounting policy. As a result of this change, Net Lottery Proceeds earned by the Lottery Fund, as disclosed in Note 5, increased \$14,351,000 in 1994 and \$14,089,000 in 1993.

4. Ticket Lottery Operations

The statement of ticket lottery operations is derived from the financial statements of the Western Canada Lottery Corporation. It reflects total lottery ticket sales in Alberta and the direct expenses related thereto such as the cost of prizes, tickets, administration and distribution.

5. Net Lottery Proceeds Earned by the Lottery Fund

Net proceeds from lottery schemes in Alberta are payable to the Lottery Fund. The net amounts earned by the Lottery Fund in respect of the ticket lottery operations conducted by Western Canada Lottery Corporation, the video lottery operations conducted by Alberta Lotteries and the administrative, marketing, program and services expenses incurred by Alberta Lotteries during the year are as follows:

(000s)	1994	1993 (as restated)
Ticket lottery operations	\$ 137,075	\$ 130,081
Video lottery operations	206,592	31,340
Administrative, marketing, program and services expenses	(11,824)	(11,101)
	331,843	150,320



## 6. Capital Assets

(000s)	1994		1993	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Video lottery equipment	\$ 35,036	\$ 6,764	\$ 16,298	\$ 1,630
Computer/communications hardware and software	3,201	883	2,227	348
Furniture and fixtures	1,327	671	1,215	432
Vehicles	496	162	189	51
Coin sorters	1,112	411	677	114
LAN application software	171	88	12	7
Leasehold improvements	204	141	113	73
	41,547	9,120	20,731	2,655
Accumulated depreciation	9,120		2,655	
<b>Net book value</b>	<b>32,427</b>		<b>18,076</b>	

## 7. Due to the Lottery Fund

This account represents net income from video lottery operations less administrative, marketing, program and services expenses and payments to the Lottery Fund. In prior years, Alberta Lotteries received advances from the Western Canada Lottery Corporation to finance operations.

(000s)	1994	1993
<b>Balance, beginning of year as previously reported</b>	<b>\$ 11,912</b>	<b>\$ 5,011</b>
Change in accounting policy for capital assets (note 3)	14,793	704
<b>Balance, beginning of year as restated</b>	<b>26,705</b>	<b>5,715</b>
Net income from video lottery operations (note 8)	206,592	31,340
Payments to the Lottery Fund	(187,400)	(10,599)
Administrative, marketing, program and services expenses	(11,824)	(11,101)
Advances from the Western Canada Lottery Corporation		11,350
<b>Balance, end of year</b>	<b>34,073</b>	<b>26,705</b>

*Amounts due to the Lottery Fund in respect of ticket lottery operations are not reflected in these financial statements as they are direct obligations of the Western Canada Lottery Corporation.*

## 8. Federal Payments and Taxes

### Federal tax expense

Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on video lottery and ticket lottery sales based on a formula prescribed by legislation. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

### Payment to Federal Government

This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the Provincial Governments and the Federal Government on the withdrawal of the Federal Government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta and is based on current population statistics and its share of lottery ticket sales.

## 9. Commitments and Contingencies

Alberta Lotteries is committed to total minimum lease payments of approximately \$612,000 under operating leases over the next five years as follows: 1995 – \$502,000; 1996 – \$110,000; 1997 – \$nil; 1998 – \$nil; 1999 – \$nil.

A statement of claim was filed in 1993 by various amusement game operators against Alberta Lotteries, Western Canada Lottery Corporation and other parties claiming approximately \$23,000,000 in compensation for their alleged proprietary right to their respective portions of the coin operated amusement industry in Alberta. An application was made in July of 1992 for an injunction to prevent the implementation of the Video Lottery Terminal Program which was unsuccessful. No further steps have been taken in the action. The loss, if any, relating to this claim is not yet determinable.

Alberta Lotteries is contingently liable for lottery ticket inventory held on behalf of the Western Canada Lottery Corporation. At March 31, 1994, Alberta Lotteries held lottery tickets with a retail value of \$5,777,000 (1993 – \$5,348,000).

## 10. Comparative Amounts

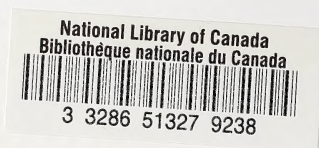
The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 1994 financial statements.



**1993-94 Lottery Fund Commitments** Alberta's lottery profits are deposited into the Lottery Fund. Lottery Fund expenditures are approved annually by the Provincial Legislature. This fund is used to support many worthwhile community initiatives and offset the costs of essential services like health care and education. The following list shows how lottery revenue was used last year.

Advanced Medical Equipment Purchases .....	\$ 5,000,000
Agricultural Exhibitions and Fairs .....	6,880,000
Agricultural Initiatives .....	2,950,000
Agricultural Societies' Fair Grants – Class A .....	900,000
Agricultural Societies' Fair Grants – Class B,C,D .....	1,800,000
Alberta Environmental Research Trust .....	200,000
Alberta Foundation for the Arts .....	15,754,000
Alberta Historical Resources Foundation .....	2,850,000
Alberta Sport Council and Recreation, Parks and Wildlife Foundation .....	14,885,000
1994 Arctic Winter Games .....	100,000
Calgary Exhibition and Stampede .....	5,000,000
1995 Canada Winter Games .....	2,712,000
Chinook Arch Regional Library System .....	250,000
Citizenship and Heritage Secretariat .....	2,475,000
Community Facility Enhancement Program II .....	30,000,000
Education Equity .....	17,500,000
Edmonton Northlands .....	5,000,000
Ex Terra Foundation .....	1,940,000
Glenbow-Alberta Institute .....	3,200,000
Medical Innovation Program .....	2,266,000
Municipal Anniversary Grants .....	14,000
Museums and Heritage Preservation Assistance .....	500,000
Science Alberta Foundation .....	750,000
Scouts Canada 1993 National Jamboree .....	144,000
Tourism Initiatives .....	10,000,000
Transfer to the General Revenue Fund .....	113,000,000
Western Heritage Centre – Cochrane .....	3,000,000
Wild Rose Foundation .....	6,600,000
<b>Total .....</b>	<b>\$ 255,670,000</b>





**For information on ticket and  
video lottery retail sales**

Alberta Lotteries  
#203 Greystone VII Building  
4208 – 97 Street  
Edmonton, Alberta T6E 5Z9  
Telephone 437-8300 Fax 462-0517

**For information on Lottery Fund  
grant programs and services**

Alberta Lotteries and Gaming  
21st Floor, Royal LePage Building  
10130 – 103 Street  
Edmonton, Alberta T5J 3R2  
Telephone 422-9014 Fax 424-3098

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*Lotteries*